

DE 98-124
DG 00-046
DG 00-063

**KEYSPAN ENERGY DELIVERY NEW ENGLAND
NORTHERN UTILITIES, INC.**

Gas Restructuring & Rate Redesign

**Supplemental Order Approving Retroactive Implementation of
Approved Model Delivery Tariff Related to
Daily Metered Delivery Service Metering**

O R D E R N O. 23,751

July 30, 2001

On July 8, 1998, the New Hampshire Public Utilities Commission (Commission) issued an Order of Notice opening docket DE 98-124 to address issues concerning unbundling and competition in the natural gas industry. On September 14, 1998, the Commission authorized the formation of a collaborative (Collaborative)¹ to investigate the merits of further restructuring the provision of natural gas service in New Hampshire.

On March 10, 2000, EnergyNorth Natural Gas, Inc. d/b/a KeySpan Energy Delivery New England (KeySpan), Northern Utilities, Inc. (Northern), the Office of the Consumer Advocate (OCA), and the Staff of the Commission (Staff) filed the *New Hampshire Gas Collaborative Final Report* (Report) with

¹ The Collaborative was open to, and consisted of, all intervenors and Staff in Docket DE 98-124. For a complete list of intervenors, see Order No. 23,652 (March 15, 2001).

the Commission. The Report included recommendations for expanding competition in the commercial and industrial (C&I) sector and a model tariff for natural gas delivery service (Model Delivery Tariff).

On March 15, 2001, the Commission issued Order No. 23,652 accepting and approving the Report. KeySpan and Northern were ordered to incorporate the Model Delivery Tariff into their existing general tariffs. Further, Order No. 23,652 provided: "the date for implementation of restructuring shall be the subject of orders in Docket DG 00-046, *Northern Utilities, Inc.*, and Docket DG 00-063, *EnergyNorth Natural Gas, Inc.* rate redesign proceedings." The Signatories to the Report agreed that properly designed rates were a necessary precursor to final implementation of the Model Delivery Tariff because effective and fair competition can only occur when rates that reflect the correct price signals are established.

In accordance with the time frame anticipated in the Report, on April 14, 2000, Northern filed proposed rate changes in Docket DG 00-046 and on May 8, 2000, KeySpan filed proposed rate changes in Docket DG 00-063. The proposed rate changes were designed to be revenue neutral. In total, the proposed rates would produce the same total revenue as the

existing rates, assuming consistent billing determinants. However, the proposed delivery rates for individual rate classes and customers would change. The rate redesign was also intended to produce identical delivery rates for both sales and delivery-only customers. The proposed delivery rates would contain no gas supply-related costs so that the utilities and customers would be indifferent, from a delivery rate perspective, between sales or delivery-only service. Settlement agreements between each of the utilities, the OCA and Staff were filed with the Commission and presented at a consolidated hearing.

On April 5, 2001, the Commission issued Order No. 23,674 in Northern's docket DG 00-046 and Order No. 23,675 in KeySpan's docket DG 00-063 approving the settlement agreements. Northern and KeySpan were ordered to implement the new rates effective May 1, 2001. Consistent with the Commission's decision in Order 23,652, the rate redesign orders also provided for the implementation of the Model Delivery Tariff effective November 1, 2001. The six-month period between the implementation of the new rates and the implementation of the Model Delivery Tariff was to be used to, among other things, develop and implement a consumer education

program, design and test electronic data interchange programs, and refine internal capacity assignment and algorithm procedures.

Due to the discrepancy in the effective date of the new rates (May 1, 2001) and the effective date of the Model Delivery Tariff (November 1, 2001), an inequity in the provision of delivery-only service has developed. Under the approved gas restructuring, the Model Delivery Tariff for Daily Metered Delivery Service requires the customer to pay for the installation and maintenance of telemetering equipment at the customer's delivery point.² The metering device is necessary to provide for daily balancing of gas supplies. Prior to the approvals of the Report and rate redesign, the utility bore the cost of installation and maintenance of the telemetering equipment and recovered those costs through the customer charge. The inequity occurs as the new/current rates are not designed to recover those costs, while the old/current transportation service tariff provisions require the utility to pay them. This inequity would cease when the Model Delivery Tariff becomes effective November 1, 2001.

² Model Delivery Tariff, Section 9.5, Metering and Determination of Deliveries. See Final Report, Attachment F.

During this interim period, the time between when the new rates became effective and the Model Delivery Tariff becomes effective, the rates related to providing new delivery-only customers with service are not cost-based and have an adverse effect on the gas utilities since the utilities do not have the opportunity to recoup these metering costs.

To remedy the above inequity, we order Section 9.5, of the Model Delivery Tariff, Metering and Determination of Deliveries, to be effective retroactive to May 1, 2001, rather than November 1, 2001. Section 9.5 sets forth the terms and conditions applicable to the installation and maintenance of the telemetering and related equipment necessary for Daily Metered Delivery Service and requires the cost to be borne by the customer.

Implementing Section 9.5 retroactive to May 1, 2001 allows the utilities to incorporate tariff provisions which provide for the recovery of the daily metering costs from delivery-only customers while still allowing adequate time for gas utilities to accomplish the required actions necessary to insure an orderly conversion to the further unbundling of gas service as approved in the most recent gas restructuring

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Based upon the foregoing, it is hereby

ORDERED, that KeySpan Energy Delivery New England and Northern Utilities, Inc. shall implement Section 9.5, Metering and Determination of Deliveries, of the Model Delivery Tariff approved in Order No. 23,652, effective May 1, 2001, superceding Order No. 23,674 and Order No. 23,675 that set an effective date of November 1, 2001 for Northern and KeySpan, respectively; and it is

FURTHER ORDERED, that Northern and KeySpan shall file properly annotated tariff pages in compliance with this Order no later than 15 days from the issuance date of this Order, as required by N.H. Admin. Rules 1603.

By order of the Public Utilities Commission of New Hampshire this thirtieth day of July, 2001.

Douglas L. Patch
Chairman

Susan S. Geiger
Commissioner

Nancy Brockway
Commissioner

Attested by:

Thomas B. Getz
Executive Director and Secretary